

1 **I Claim:**

2
3 1. A method for facilitating replacement of one or more liabilities with
4 insurance employing a tax exempt premium financing mechanism, the method
5 comprising the steps of:

6 employing a computer to create documentation that savings associated
7 with insuring one or more liabilities and using premium financing are sufficient
8 that a public entity would pursue premium financing even if interest on the
9 premium financing would be taxable; and

10 providing said documentation to obtain one or more opinions relating to
11 the tax exempt status of interest on the proposed premium financing.

1 2. The method of claim 1, furthermore comprised of:

2 paying a premium of said insurance with proceeds from said bonds.

1 3. The method of claim 2, wherein:

2 said documentation includes a calculation of a present value of said
3 liabilities calculated in consideration of a term structure of interest rates.

1 4. The method of claim 2, wherein:

2 said documentation includes a calculation of a present value of insurance
3 with premium financing calculated in consideration of a term structure of interest
4 rates.

1 5. The method of claim 2, wherein:

2 the legal opinion is from the Internal Revenue Service.

1 6. The method of claim 2, wherein:

2 the legal opinion is from a state tax authority.

1 7. The method of claim 2, wherein:
2 the legal opinion is from bond counsel.

1 8. The method of claim 2, wherein:
2 said premium financing mechanism is one or more municipal bonds.

1 9. The method of claim 2, wherein:
2 said liabilities include self insurance.

1 10. The method of claim 2, with the additional step of:
2 providing said opinion to a rating agency.

1 11. The method of claim 1, with the additional step of:
2 providing said opinion to a bond guarantee firm.

1 12. The method of claim 1, with the additional steps of:
2 issuing said bonds; and
3 making a payment on said bonds.

1 13. The method of claim 1, furthermore comprised of:
2 providing said opinion to an outside party for a regulatory body to obtain
3 an approval for said premium financing mechanism.

1 14. The method of claim 13, wherein:
2 said approval is a validation proceeding.

1 15. The method of claim 14, wherein:
2 said validation proceeding is a California validation proceeding ruled upon by a
3 California court.

1 17. The method of claim 16, wherein:
2 said usury rate is the maximum interest rate allowed by law for the party
3 replacing said liability with insurance.

1 18. The method of claim 16, wherein:
2 said usury rate is the maximum interest rate allowed by law for a different
3 type of party in the same geographic jurisdiction.

1 19. The method of claim 16, wherein:
2 said usury rate is the maximum interest rate allowed by law for a similar
3 party in a different geographic jurisdiction.

1 20. The method of claim 16 wherein:
2 said documentation shows that the present value of cash flows of the
3 liabilities is greater than the present value of insurance with bond cash flows
4 when taxable interest rates are used.

1 21. The method of claim 16 wherein:
2 said legal opinion is incorporated in an official statement for a bond issue.

1 22. The method of claim 16 wherein:
2 said legal opinion is a private letter ruling from the Internal Revenue
3 Service.

1 23. The method of claim 16 wherein:
2 said legal opinion is an opinion from bond counsel.

1 24. The method of claim 16 wherein:
2 said liabilities include self insurance.

1 25. The method of claim 2, wherein:
2 the premium of said insurance is paid in part from sources other than said
3 bonds.

4 26. The method of claim 2, with the additional step of:
5 using funds previously set aside for payment of the liabilities for a purpose
6 other than payment of a portion of the liabilities or purchasing insurance.

7 27. The method of claim 1, wherein:
8 the insurance includes a California workers compensation special excess
9 policy.

10 28. A method for obtaining a bond rating on one or more municipal bonds
11 whose proceeds are used to replace one or more liabilities with insurance, the
12 method comprising the steps of:
13 obtaining a legal opinion regarding tax exempt status of interest paid on
14 said bonds;
15 providing said legal opinion to a court in a validation proceeding relating to
16 said bonds; and,
17 obtaining a rating on said bonds used to replace said one or more
18 liabilities with insurance.

1 29. The method of claim 28, wherein:
2 said liabilities include self insurance.

1 30. The method of claim 28, furthermore comprised of the step of:

1 issuing said bonds.

31. The method of claim 28, furthermore comprised of the step of:
making one or more payments on said bonds.

1 **32.** A method for calculating one or more breakeven interest rates used for
2 comparing present values of one or more liabilities with insurance using
3 municipal bond financing wherein:

4 one or more interest rates are used for discounting the liabilities' cash
5 flows to obtain a present value of liability cash flows;

6 one or more bond payout patterns are selected; and

7 one or more interest rates are found for each bond payout pattern, such
8 that the present value of bond cash flows calculated using such interest rates is
9 equal to the present value of the liabilities' cash flows.

1 33. The method of claim 32 wherein:

2 said one or more interest rates used for discounting the liabilities' cash
3 flows is a fixed interest rate, regardless of term.

1 34. The method of claim 32 wherein:

2 said one or more interest rates used for discounting the liabilities' cash
3 flows consist of interest rates with a term structure.

1 35. The method of claim 32 wherein:

2 said one or more interest rates used for discounting bond cash flows is a
3 single fixed interest rate, regardless of term.

1 36. The method of claim 32 wherein:

2 said one or more interest rates used for discounting bond cash flows
3 consist of interest rates with a term structure.

1 37. The method of claim 36 wherein:
2 said term structure is calculated in consideration of a term structure of tax
3 exempt interest rates; and
4 each interest rate in the term structure of tax exempt interest rates is
5 multiplied by a constant to obtain the breakeven term structure.

1 38. The method of claim 32 wherein:
2 said liabilities include self insurance.

1 39. The method of claim 32 wherein:
2 said liabilities include workers compensation self insurance.

1 40. The method of claim 32 wherein:
2 said liabilities include general liability.

1 41. The method of claim 32 wherein:
2 said liabilities include pollution liability.

1 42. The method of claim 32 wherein:
2 said liabilities include medical malpractice.

1 **43.** A payment on one or more tax exempt municipal bonds used to
2 replace one or more liabilities with insurance wherein:
3 documentation produced before bond issuance shows that savings
4 associated with replacing one or more liabilities with insurance using bond
5 financing would exist if said bond financing paid taxable interest rates; and
6 a legal opinion confirms tax exempt status of interest paid on the bonds.

1 44. The payment on tax exempt municipal bonds of claim 43 wherein:

1 said legal opinion is a private letter ruling from the Internal Revenue
2 Service.

1 45. The payment on tax exempt municipal bonds of claim 43 wherein:
2 said legal opinion is from bond counsel.

1 46. The payment on tax exempt municipal bonds of claim 43 wherein:
2 said documentation furthermore demonstrates that the interest rate(s) at
3 which the present value of self insurance equals the present value of insurance
4 with bond financing are in excess of one or more usury rates.

1 47. The payment on tax exempt municipal bonds of claim 43 wherein:
2 said payment is made by a public entity.

 48. The payment on tax exempt municipal bonds of claim 43 wherein:
 said payment is received by a bondholder.

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2 **49.** Tax exempt municipal bonds used to pay insurance premium wherein:
3 documentation produced before bond issuance shows that savings
4 associated with a change from self insurance to insurance with bond financing
5 would exist if said bond financing paid taxable interest rates; and
6 a legal opinion confirms tax exempt status of interest paid on the bonds.

1 50. The tax exempt municipal bonds of claim 49 wherein:
2 said legal opinion is a private letter ruling from the Internal Revenue
3 Service.

1 51. The tax exempt municipal bonds of claim 49 wherein:
2 said legal opinion is from bond counsel.

1 52. The tax exempt municipal bonds of claim 49 wherein:
2 said documentation furthermore demonstrates that the interest rate(s) at
3 which the present value of self insurance equals the present value of insurance
4 with bond financing are in excess of one or more usury rates.

1 **53.** A bond counsel opinion supporting tax exempt status of a municipal
2 bond issue wherein:
3 said bond counsel opinion is issued in consideration of documentation
4 which shows that savings associated with a replacing one or more liabilities using
5 insurance with bond financing would exist even if said bond financing was
6 taxable and paid taxable interest rates.

 54. The bond counsel opinion of claim 53 wherein:
 said documentation furthermore demonstrates that the interest rate(s) at
 which the present value of one or more liabilities equals the present value of
 insurance with bond financing are in excess of one or more usury rates.